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EX PARTE OR LATE FILED

**James K. Smith**  
Director  
Federal Relations

November 13, 1997

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, NW  
Room 222  
Washington, DC 20554

**RECEIVED**

**NOV 13 1997**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: **Ex Parte Presentation**  
IB Docket 97-142

Dear Ms. Salas:

On Wednesday, November 12, 1997, Mr. Dan Fling, Vice President - International Operations, Ms. Tracy Lenzen, Director - Regulatory and I met with Ms. Diane Cornell, Chief, Telecommunications Division, International Bureau, Mr. Robert McDonald, Mr. Adam Krinsky and Mr. Douglas Klein, Attorneys in the International Division, to discuss Ameritech's comments in the above referenced docket. The attached material was used in the course of the meeting.

Sincerely,

A handwritten signature in cursive script, appearing to read "James K. Smith".

Attachment

cc: D. Cornell  
R. McDonald  
A. Krinsky  
D. Klein

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# **Ameritech Ex Parte Presentation**

## **11/12/97**

IB Docket 97-142

Rules and Policies on Foreign Participation in the U.S.  
Telecommunications Market

## **Ameritech is a major international market participant through:**

- Investments in foreign carriers
- Wholesale provision of international long distance service

## **Ameritech comments in 97-142**

- The Commission should replace the former “effective competitive opportunities (ECO)” test with a review of whether home countries of potential foreign competitors seeking U.S. market entry have acted to permit multiple carrier entry into their own domestic markets
- Address risk to competition in the U.S. telecommunications market through conditional authorization of applications

## **Restriction on resale of unaffiliated carriers' service is not in the public interest**

- Resale restriction would prohibit carriers with foreign affiliates from offering ubiquitous global service to their customers
- U.S. carriers would lose existing customers and be unable to grow their customer base
- Resale restriction would penalize foreign countries trying to open their markets by hindering their ability to find investors

**AT&T's assertion that the proposed restriction on resale is needed to prevent foreign carriers from engaging in below cost pricing is unfounded**

- Market reality - there is no evidence that affiliates of foreign carriers have engaged in below cost pricing
- The theoretical cross-subsidized pricing that AT&T imagines is unsustainable in the long run
  - The arbitrage inherent in the resale market would divert large amounts of traffic to the low-priced entrant, making them very visible
  - Carriers whose service they resell would quickly raise rates, so losses by the low-priced entrant would quickly outpace the potential for cross-subsidization
- The antitrust laws already provide a mechanism to challenge any carrier engaging in below cost pricing - there is no need for the Commission to create prior restrictions on resale

## **Reject AT&T's call for including resale restrictions in the 97-142 order**

- AT&T's goal is to restrict U.S. carriers with foreign affiliates from competing in the U.S. market
- AT&T is substituting its own interests for the public interest
- At a minimum, there is no need for additional safeguards pertaining to resale of unaffiliated carriers' switched services, even when the reseller has a foreign affiliation